



Alaska Housing Finance Corporation

Report to Alaskans:

An update on your Corporation

05



This Year, Your Corporation...

- Helped more than 3,000 Alaskans purchase or refinance homes with \$521 million in loans. Of that, \$263 million went to 1,685 first-time home buyers.
- Provided \$43.1 million in AHFC multi-family loan financing. Since 1991, AHFC has provided \$580 million in competitive loans, many combined with grants and tax credits, to assist developers in building and/or upgrading nearly 11,500 units of affordable rental housing in 28 communities.
- Awarded \$4.56 million in grants and federal tax credits to produce 161 affordable rental housing units.
- Completed weatherization upgrades on nearly 614 units, benefiting 680 elderly and disabled Alaskans and children under six years of age.
- Conducted 256 free home-buying seminars in 33 communities, attracting 3,579 Alaskans.
- Provided 52 veterans with low-interest home loans totaling \$12.3 million. (See story on page 3.)
- Provided rental assistance to more than 4,000 seniors, persons with disabilities, and families in 12 communities using HUD Section 8 vouchers. Nearly \$28 million a year is paid to private landlords for rental assistance for these Alaskans earning less than 50 percent of the median income.
- Since 1986, AHFC has contributed nearly \$1.5 billion to Alaska's State budget revenues through cash transfers, capital projects and debt service payments after paying all of AHFC's operating and capital expenditures. AHFC's assets now total \$4.9 billion.
- Provided \$17.8 million for 94 teachers and nurses to obtain 100 percent mortgage financing. A total of 206 teachers and nurses in 22 communities have used AHFC's Teachers and Nurses Housing Loan Program since it began in the fall of 2003.

AHFC, Your Asset

As an Alaskan, you can consider the Alaska Housing Finance Corporation your asset. Created by the Alaska State Legislature in 1971, AHFC is a self-supporting public corporation. It gives to, rather than takes from, the state's General Fund. This annual report, which is inserted in newspapers around the state, tells the stories of good things AHFC – with the help of many of you – makes happen in your communities. So pour another cup of coffee and catch up on what's been accomplished in our last fiscal year. And maybe you'll learn about a program you or a friend can take advantage of.

Mission

AHFC's mission is to provide Alaskans access to safe, quality, affordable housing. We accomplish this through affordable mortgage loan programs, rental housing for families of low-to-moderate incomes, and energy and weatherization programs.

With offices in 16 communities, AHFC provides statewide financing for multi-family complexes, congregate facilities and single-family homes. It has special loans for first-time home buyers, low- and moderate-income borrowers, veterans, teachers, nurses, public safety employees and those living in rural areas of the state.

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Anchorage's MacKay Building Transformation Includes Assisted-Living Complex

A \$5.4 million AHFC loan is helping jumpstart a long-anticipated renovation of the 14-story MacKay Building in Anchorage's historic east downtown area. The loan provides 30-year financing for four floors of the high rise, which will be used for a 58-unit state-licensed, senior-assisted-living facility, Marlow Manor Downtown.

One hundred market-rate apartments are being developed on the 10 upper floors through a loan guarantee of \$7.9 million from the U.S. Department of Housing & Urban Development (HUD). The Municipality of Anchorage is providing a five-year exemption from property taxes to further stimulate the rehabilitation project.

The creative blend of market-rate apartments with an assisted-living facility will transform a condemned, urban blight into a vital complex of residences. Developer Marc Marlow brings considerable experience in developing and operating senior housing facilities in Alaska, including Chester Park, Marlow Manor East and 95 units of senior independent-living housing with HUD rental assistance. Unit Company is the project contractor.

AHFC is now a sponsor of The Alaska Real Estate Showcase on every day at 10 am on GCI Cable Channel 6 or PAX33 UHF and Satellite. If you are in the market for a new home, check it out.



Governor's Message

The team at Alaska Housing Finance Corporation reports another year of strong performance in accomplishing its primary mission of providing Alaskans access to safe, quality, affordable housing.

The independent, state-owned corporation today manages assets totaling nearly \$5 billion, three-quarters of which are in home mortgage loans of residents throughout the state. Annual corporate earnings enable AHFC to pay sizeable dividends to the state, which are used to finance state and municipal capital projects. Since 1986, the corporation has transferred about \$1.5 billion for this purpose, well in excess of the cumulative \$1 billion that the Legislature transferred to the Corporation decades ago to get it started.

Many Alaskans take advantage of low interest rates backed by AHFC that are made available to first-time home buyers, qualified veterans, low-income families and rural residents. Teachers, nurses and other health care professionals can benefit from the no-down-payment loans that it offers.

In addition to financing mortgages, AHFC manages federal grant and tax credit programs that provide incentives to developers, non-profit organizations and local housing authorities to build new senior housing and low-income, multi-family housing facilities across the state.

The corporation's public housing arm manages the federal rental assistance programs for low-income families, seniors and the disabled, and it operates a number of senior housing facilities and low-income multi-family apartments around the state.

AHFC partners with the Denali Commission to help finance new housing for teachers, health care professionals and public safety personnel in rural communities to help recruit and retain good teachers, nurses and peace officers.

Thousands of Alaskans each year learn tips from the experts about buying and selling a house at free AHFC HomeChoice seminars and workshops. And many Alaska families and seniors benefit from AHFC's housing weatherization upgrade program.

President Bush has identified homelessness as one of the most challenging domestic issues facing the nation, and he requested governors to take on the national goal of reducing the number of homeless in their states. Therefore, over the past year and at my request, CEO Dan Fauske and some of his staff have guided the work of the Alaska Council on the Homeless. I also appointed to the panel a number of state commissioners and federal, local government and non-government representatives involved with the state's homeless situation.

I assigned the Council the mission of developing strategies as to how our state and local governments, business and non-profit communities, Native corporations, faith-based organizations and homeless people themselves should deal with the homeless problem both economically and expeditiously.

Frank H. Murkowski

Frank H. Murkowski
Governor

Governor Frank Murkowski ↗



Veterans' Benefit At Risk

A popular AHFC program that provides qualified Alaska veterans access to affordable housing may soon be out of business. Fewer and fewer vets are taking advantage of the Alaska Veterans Mortgage Program—not due to lack of interest, but the result of a 1986 federal tax code provision.

AHFC funds the Veterans Mortgage Program by issuing tax-exempt mortgage-revenue bonds, approved by voters. The low-interest-rate bonds enable AHFC to offer qualified veterans mortgages with lower than conventional interest rates. Unfortunately, the 1986 provision restricts the use of tax-exempt bonds for veterans' loans to only those vets who served before Jan. 1, 1977, and who apply for a loan within 30 years of being discharged from the service.

With these limitations, the number of qualifying veterans has decreased from nearly 500 veterans a year to less than 60 today.

According to AHFC CEO Dan Fauske, these limits are not fair to the men and women who have served their country since the end of the Vietnam era. Alaska's congressional delegation is supporting legislation in the U.S. House and Senate, titled the American Veterans Homeownership Act of 2005, which would repeal the 1977 service deadline. However, the delegation faces a tough challenge, since Alaska is one of only five states authorized 25 years ago to provide this veterans' benefit. It will take a majority in Congress to vote in favor of continuing the program.

Daniel Fauske
CEO/Executive Director →



← Frank Roppel
AHFC Board Chair



Dear Alaskans,

Over the past year, the Alaska Housing Finance Corporation has remained on track, securing access to quality housing for thousands of Alaskans in need of assistance.

The Corporation is accomplishing its desired goals through an array of programs presented in this report. More and more Alaskans today are safely housed as a result of AHFC's successful initiatives.

There were a few unanticipated challenges for the Corporation last year. For instance, HUD reduced by eight percent the amount of federal funding for Alaska's Housing Choice Voucher program, administered by AHFC's Public Housing Division. (See story on page 4.) The voucher program is now operating under new guidelines and efficiencies with less federal funds, and is expected to continue assisting more than 4,000 families statewide, about the same number being assisted before the HUD reduction.

Record warm temperatures, blamed for increased erosion now damaging homes along riverbanks, in coastal communities and in permafrost regions, plus record-high oil prices and sky-rocketing cost of fuel oil, brought additional challenges for the Corporation. They increased public interest in AHFC's low-income weatherization improvement program and on the research being conducted by the Fairbanks-based Cold Climate Housing Research Center. The CCHRC is an industry-based, non-profit corporation created to facilitate the development, use, and testing of energy-efficient, cost-effective building technologies for Alaska. AHFC has funded a number of the Center's research projects. (See story on page 4.)

AHFC will face new challenges with the increased cost of fuel we anticipate will continue indefinitely in the aftermath of Hurricane Katrina.

Four years ago, AHFC provided a \$48 million loan for a military-housing construction project on Elmendorf Air Force Base in Anchorage. The loan financed 828 new or renovated units. Last year AHFC sold the loan to an investment company and made \$3.8 million profit for the Corporation. The AHFC Board also approved a \$110 million loan last year, which added 1,194 additional housing units for the base. This summer AHFC sold that second loan to Merrill Lynch & Co. for \$7.2 million profit.

This coming fiscal year, a new state law takes effect that sets the size of the annual dividend the Corporation makes to the State. Beginning FY07, our dividend is tied to a percentage of earnings. This change has already resulted in an increase in our bond rating, which makes it possible for AHFC to issue bonds at low interest rates then pass the savings on to eligible Alaskans in the form of interest rates that are among the lowest in the nation.

We look forward to continued success in serving the housing needs of Alaskans.

Daniel Fauske *Frank Roppel*
Dan Fauske Frank Roppel

Swan Lake Terrace senior housing, Sitka.



Renovating Senior Housing

As Alaska's senior population rapidly increases—the second fastest state growth rate in the U.S.—AHFC continues to invest in and improve its senior housing facilities. Renovation projects were completed in three Alaska communities during the 2004–2005 fiscal year at AHFC owned-and-operated facilities.

Seward

In August 2004, Seward's 24-year-old Glacier View senior independent living facility was rededicated. The 30-apartment facility was brought up to current code and energy-efficiency standards. A new emergency standby electrical generator was installed for common-area lighting, the entry door, and heating systems. All apartments had substantial renovation at a total cost of \$1.3 million or about one-quarter of what it would cost to replace the facility.

Sitka

Two years of work and nearly \$1 million resulted in the renovation of 20 apartments at Sitka's Swan Lake Terrace senior housing

facility in September of 2004.

The project replaced floor and wall finishes and kitchen and bathroom plumbing fixtures and addressed accessibility requirements. The 20-year-old facility was also brought up to current code and energy-efficiency standards. A community room with computer lab was added.

Anchorage

The final phase of a two-year \$5.6 million interior and exterior renovation project at the Chugach Manor senior facility was celebrated in June of this year. Work on the 120-unit facility was carried out in four phases. A three-story structure built in 1987 with \$9.3 million in funds from the U.S. Department of Housing and Urban Development (HUD), Chugach Manor is owned and operated by AHFC but receives operating money from HUD.

AHFC Invests in Mountain View

AHFC is playing a major role in Cook Inlet Housing Authority's (CIHA) revitalization of the Mountain View neighborhood in Anchorage. The goal is to preserve existing housing stock, increase affordable housing opportunities, improve the quality of affordable housing stock, decrease the rate of absentee landlords, and encourage private and other community investment within the neighborhood through redevelopment.

AHFC is providing \$14,778,540 in loans, grants and tax credits: \$3.9 million in multi-family loans, \$3.0 million in HOME and Supplemental Housing Development grants, and \$7.9 million in Low-Income Housing Tax Credits. Total project cost is \$20.6 million.

CIHA acquires older, dilapidated, single-family homes, mostly built in the 1940s and '50s, as well as aging multi-family properties. Significant investment is made with demolition of dilapidated structures, new construction of rent-to-own homes and duplexes, and substantial rehabilitation of four-plex properties.

The new neighborhood includes 28 units of four-plexes and new three- and four-bedroom single-family homes. In 15 years, 10 tenants will have an opportunity to purchase their home. A second phase involves 27 scattered-site residential properties that include 15 new rent-to-own, single-family homes, 32 low-income rental units in eight new duplexes and four rehabilitated four-plexes.

A \$625,000 zero-interest loan under AHFC's Loans to Sponsors program will provide qualified home-buyers up to \$25,000 in down-payment assistance through Na Qenq'a, a community development program affiliated with CIHA.

Award-winning design and build contractors for the project are John Hagmeier Homes, The Peterson Group and Dar-Con Corporation.

AHFC used innovative tax-exempt bond financing for this project, issuing tax-exempt conduit financing for purchase by a single private bank. This represented amounts loaned as construction financing to CIHA. State and federal grants and tax-credit equity paid down the financing loan to an amount that was sustainable by project revenue. The remaining amount comprised the permanent tax-exempt financing.



Mountain View house

Cold Climate Housing Research

The Cold Climate Housing Research Center held groundbreaking ceremonies for its new research and test facility on July 22 in Fairbanks. With more than \$4 million lined up, construction of the 15,000 square foot facility is underway.

CCHRC's goal is to provide practical but science-based research for improved homebuilding and to find solutions to problems that plague many

Alaska homes – such as air flow and pollution, mold and mildew, heating inefficiencies, fire and other safety dangers. AHFC has funded many of the research projects and has been a strong supporter of CCHRC's effort to create a permanent test facility on land leased from the University of Alaska Fairbanks.



CCHRC groundbreaking.
A shovel full of dirt launched by Bill Allen, Alaska State Director, USDA Rural Development, leads the way in groundbreaking ceremonies held for the Cold Climate Housing Research and Test Facility in Fairbanks. Other participants (l to r) Clai Porter, AHFC Board member; Gary Wilken, State Senator; Mike Buller, Deputy Executive Director, AHFC; Bill Allen; Steve Jones, Chancellor, University of Alaska Fairbanks; Jack Hebert, President and CEO, Cold Climate Housing Research Center.

The primary focus of the Gateway Learning Center, located at AHFC-owned Park View Manor in Anchorage, is adult training for families lacking competitive job skills. However, scheduled hours are also available for school-aged, low-income youth to improve computer skills. The Center also is the site of the Homework Club operated by Nine Star Enterprises, which assists 26 Park View children complete their homework and conducts fieldtrips for school enrichment and career education. Another 19 youth, ages 18–24, take classes to prepare for GED testing and high school completion. The Center also hosts classes offered by the YWCA “Women\$Finances” Program and an FDIC-approved curriculum of basic financial literacy, called “Money Smart.” Participants are encouraged to reduce debt, begin saving and prepare for homeownership opportunities available through AHFC and others.

Basic office computer skills are also offered in Gateway by the Educational Opportunity Center. Participants can earn University of Alaska credits. Daytime classes are designed to be completed in one calendar month and are taught year round. Evening classes, offered in fall and winter, meet twice a week and take two months to complete. Students completing the three-week, 25-hour-per-week classes can earn one credit per subject (up to two credits total) at no cost to the participant. Participants in AHFC's housing-assistance programs are given priority to attend, with standby openings available to the public. Class schedules and additional information about the Center can be found at www.ahfc.us [click on Gateway Learning Center].

Gateway Learning Center was established in 1998 to house AHFC's Family Self-Sufficiency (FSS) Program, designed to complement Alaska's welfare-to-work initiative, with additional training and incentives to families seeking to improve life and vocational skills. Gateway program funding is provided through AHFC and the U.S. Department of Housing & Urban Development.

Funding Reduction Forces Change in Rental Assistance Program

Due to an eight percent reduction in federal funding, the Public Housing Division of AHFC was forced to tighten the state's rental voucher program for low-income families. By limiting the number of bedrooms for which a family can qualify, the division reported it would best be able to maximize the number of families eligible to receive assistance across the state.

Sometimes referred to as the “Section 8” program, vouchers provide rental assistance for low-income families and individuals. Nearly 4,100 Alaskans utilize this program.

Beginning in January of 2005, HUD instituted a change in the voucher program, reducing the money Alaska was allocated. AHFC established a six-month moratorium on the issuance of new vouchers while it analyzed different options to reduce the total housing-assistance payments distributed each month. It found that a limitation on the number of bedrooms, determined by the family's size and circumstances, to be the most reasonable solution.

The new standards will go into effect in October and are expected to affect about 15 percent of the families now receiving rental assistance through the voucher program.

